

**Executive Director of the Michigan Gaming Control Board
Questionnaire**

1. Why do you want to be the Executive Director of the Michigan Gaming Control Board (MGCB)?
2. Describe why you are qualified to be the Executive Director of the MGCB.
3. Michigan has 26 casinos and pari-mutuel facilities spread out in 23 cities throughout the state and Club Keno in hundreds of bars and restaurants around the state.
 - What is your view of the proliferation of gaming in the state of Michigan?
4. According to the National Council on Compulsive Gambling, 2 million U.S. adults are estimated to meet the criteria for pathological gambling in a given year. Another 4-8 million meet the criteria to be considered problem gamblers. Whether it's Internet poker, sports wagering or brick and mortar gaming, gambling forces us to take a look at issues of individual well-being as well as institutional response.
 - What do you perceive to be your duty in addressing these issues?
 - Do you believe the portion of state law that requires casinos to give part of their revenue to local programs for preventing and treating gambling disorders could be improved? How?
5. Given the fact that the following forms of gambling are legal in the state: state lottery, horse racing, charitable gaming (e.g., bingo and raffles), casino gaming on Indian reservations, and Detroit casinos.
 - How do you foresee the future of gambling in the State of Michigan?
 - Are you in favor of Racino's? What impact would they have on casino revenues?
6. Michigan does not allow dog racing or jai alai, and it does not permit slot machines, video poker, or similar forms of gambling in any place other than a casino.
 - Do you favor altering the law to permit any of these forms of gaming?
7. Casino opponents argue that the economic benefits of gaming are exaggerated and that the social costs may outweigh any economic benefit.
 - In your opinion, what is the social and economic impact of the Detroit Casinos on Southeast Michigan?

8. As reported by the Delaware News Journal last month the proliferation of casinos across the Midwest are attracting sophisticated cheaters from Las Vegas, Atlantic City and overseas who believe they can scam new, unseasoned staff.

- Are you aware of how the State of Michigan combats these scam artists?
- Do you have any ideas of your own on how to combat these types of scams?

9. Do you think the state should be negotiating compacts with Indian Tribes?

10. As you know, state law directs the MGCB to issue: (1) Supplier Licenses to many suppliers of goods/services, depending on the kinds of goods/services provided and the total monetary value of those goods/services, (2) Vendor Licenses to anyone providing non gaming-related goods or services and who is not exempt from having to obtain a vendor exemption number prior to commencing business with a casino licensee; and (3) Occupational Licenses for many casino employees.

- Are you in favor of these licensing requirements?
- How would you describe the public policy to be advanced by these requirements?
- Are you supportive of relaxing any of these licensing requirements, if so what public policy would that advance?

11. Many state gaming regulatory or tax agencies publicize casino slot returns for their respective jurisdictions. For example, the nickel machines at the Cripple Creek casinos in Colorado return 93.7% back to the customer. The Alton Belle Riverboat Casino in Illinois pays back 94.2% on their quarter machines. Play dollars in downtown Reno, bettors can expect a return of 96.0%. And high-rollers playing the \$5 slots in the Coastal Region of Mississippi, can expect a 95.2% return. But Michigan casinos are not required by law to release information to consumers on their slot machine payback percentages.

- Do you think this is appropriate? What change(s) would you propose?

12. Under state law the Detroit casinos must meet the same standards for machines as in New Jersey or Nevada. In New Jersey, the minimum return is 83 percent, Nevada it's 75 percent. Thus, Michigan casinos must return at least 75 percent.

- Do you think this is adequate? What change(s) would you propose?

13. What steps would you take if you received credible information that unauthorized gambling was taking place outside a casino? What about inside a casino?

14. How would you interact with other regulatory officials (such as the Racing Commissioner) to ensure unauthorized gambling is not tolerated?

15. In 2004, state voters changed the Michigan Constitution to prohibit the enactment of any law after January 1, 2004, that would authorize any form of gambling and any new state lottery games utilizing table games or player operated electronic devices without the approval of both the majority vote of state electors and the local electors voting in the township or city where gambling will take place.

- What sort of gaming activities do you believe falls outside that limitation?

16. In response to fears that casinos may increase the activity of organized crime in Detroit, the Michigan Legislature amended the Initiated Law of 1996 to establish casino regulations that were among the strictest in the nation. That revised law directs the MGCB to investigate the finances and some employees of each applicant for a license.

- How many investigations a year are conducted?
- How many investigations in the last 10 years have resulted in applicant disqualifications?
- What other forms of disciplinary action have been taken as part of these investigations.

17. Due to concerns over potential campaign funding improprieties related to casino gaming in Detroit, state law also limits campaign contributions from key casino employees or anyone having a one percent interest in a casino.

- How many such investigations have taken place in the last 10 years?
- Do you propose to alter this investigation process?
- If so, how would you alter the investigatory process?

18. An estimated 10 million Americans have a gambling habit that is out of control. Evidence shows that addiction can lead to serious financial and family problems, among them bankruptcy, divorce, and suicide. A 1997 study shows that the suicide rate in U.S. cities in which gambling is legal is as much as four times higher than in comparably sized cities where it is not.

- Describe your view of the social cost(s) associated with casinos.

To: Michael Bishop, Senate Majority Leader
From: Richard S. Kalm
Date: April 23, 2007

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Please see my answers to the attached questionnaire from your office. They are in order as they were provided to me.

1. I have been in Law Enforcement and chose public service as a career over 30 years ago. My career has been extremely rewarding and I have loved doing it. Not necessarily thinking about retirement, this job presented itself as being available. I had been keeping my eyes open for an opportunity to continue in public service when, and if it presented itself. I looked into the job, along with its purpose and function. I spoke to people close to gaming and grew to understand some of the duties that it would entail. This position was very intriguing to me as 1) It allowed me to continue in public service. 2) It provided me with the opportunity to lead an organization charged with enforcement and regulation with which I was comfortable. 3) I was able to retire from the Macomb County Sheriff's Office and pursue another challenging position allowing me to utilize the skills that I have developed being a Police Officer, Administrator, and leader in a large organization.
2. I have had the honor and opportunity to serve as a police officer in the State of Michigan for 30 years. I along with others, lead a 500 member department that enforces laws and ordinances. We secure and transport prisoners to several courts in Macomb County. We also house over 1400 inmates providing medical, psychiatric and daily needs to a diverse population. We book over 22,000 people a year and feed over 1,500,000 meals a year. We provide law enforcement services by contract to a great many municipalities. We answer to the people that we police, and to the cities and township boards that we have under contract. All of the interactions be they administrative or collaborative, with people and other government bodies has prepared me to run a large organization with a mission to protect and to serve the best interests of the public that I work for. This experience in administering a large and complicated organization has taught me many things.

I have had the opportunity to work for and supervise people from a great many organizations including Michigan State Police, FBI, DEA and several local police departments. I also have been called up to represent the Office of Sheriff on several boards and in front of legislative

bodies. This has taught me to foster relationships with people from varying disciplines and backgrounds and lead through cooperation, consensus and compromise.

I have had the opportunity to be a part of several operational teams that has investigated organized crime. I have testified in front of Federal Grand Juries, Federal, State, and local courts in Michigan and other states. These experiences have enhanced my investigative skills and exposed me to all facets of investigative law enforcement. It has opened doors and helped me to build relationships with other investigative organizations. I was able to become familiar with technology and its uses in public service and investigations. My professional associations have enhanced my networking capabilities.

This experiences and the people skills that I have developed more than qualify me to run an organization of civil servants charged with public service.

3. I think the people in the State of Michigan through their direct vote and through the legislature decide on the number of mutual gaming facilities. The positive side of this issue is that gaming generates revenue for the State of Michigan. The negative side is that it could reach saturation point having an adverse effect economically on the Detroit casinos. Problem gaming would have more avenues for abuse. My role as Executive Director is to enforce the act, not decide issues of proliferation. My duties are to enforce and ensure that the mission of the Gaming Control Board is focused on and exercised by the organization. That mission is to ensure the fair and honest gaming in the three Detroit casinos and to safeguard the interests of the people of the State of Michigan.
4. Sports booking and internet gaming are illegal. If it were ever deemed legal by the laws of the State of Michigan, it should or would be regulated by the Gaming Control Board. My duties would include maintenance of the disassociated persons list. This list is secret and is maintained in order to prohibit persons from entering the three Detroit casinos if they have admitted to having a problem and have requested to be placed on the list to prevent their entry. I would look into ways to improve the process, making it more efficient. I would take time to assess the amount of money given through the Gaming Control Board and casinos for preventing and treating gambling disorders. I would collaborate with persons in the Michigan Department of Community Mental Health who are delivering or overseeing the service delivery to ensure that it is properly funded. I do believe there is always room for improvement whether in process, efficiency or in funding but I would need additional time to make that determination.

5. At this point I know that it will remain status quo until the law changes allowing for additional casinos or additional pari-mutual gaming venues. The future will be determined by the legislature and the people.

I have no opinion as to Racino's. I believe it is up to the people or the legislature to decide whether we have them or not.

I believe that if the Racino's are outside of the metro area (100 miles or more), they would probably have little effect on the three Detroit casinos. Closer than that, they would probably have an economic impact by virtue of proximity. Casinos could have to compete for patrons of the gaming public in the metro area. I would add that if Racino's come to be by a vote of the locality or super majority of the legislature then the Gaming Control Board should regulate that form of gaming. They have the personnel, mechanism in place and expertise to handle the additional games that would be added to the race tracks. At this point do not have enough knowledge to formulate an opinion as to whether I am for or against this additional gaming. I think the locality and the legislature should make that determination.

6. I think I would be concerned if these types of games, by virtue of their being housed outside of the three casinos are not regulated by gaming control. Avoiding gaming regulation by the reference of EDG's (Electronic Gaming Devices) or VLT's (Video Lottery Terminals) could be an issue. I am concerned with avoiding gaming control oversight by the proliferation of other types of gaming that may become legal at a later time. I have no opinion at this time whether I am in favor or against these types of games. At this time they are not permitted.

7. I think the economic impact is positive. The casinos can stimulate the local economies by way of jobs, secondary businesses and construction supporting them. In addition, if gaming continues to increase so does the revenue to the State of Michigan. At this time the state benefits from the additional revenue. Gaming also provides the funding source for additional police officers and public safety personnel both in the City of Detroit and the Michigan State Police.

Problem gaming could and has resulted. Problem gaming and gaming exists with or without casinos. Crimes that result from gaming or gambling do occur but crime related to gambling appears to be much less when compared to opportunistic crimes or crimes to support drug addiction. Gambling addiction is actually a result of a compulsive personality disorder and does cause social harm. Addictive personalities have a tendency to be compulsive in a host

of areas including alcohol, drugs and gambling. All of these can be the proximate cause of crime. How do you prevent the behavior? I can not answer that. As an example, cocaine and heroine are not indigenous to the United States. Access and availability is restricted yet it is distributed covertly and it is illegal. The mere presence or possession of it is a crime, yet many people are addicted and use these substances regularly. Access or lack thereof, or and ready availability does not seem to change addicts behavior at whatever level.

8. I believe there are collaborative efforts under way to share information with other casinos across the Midwest. First, I believe that initially it is the casinos responsibility to protect their assets. Gaming control does monitor the casinos staff however, to guard against inside cooperation with scam artists and those that would defraud the casinos.
I would review technology, as in face recognition software, camera placements, and make sure procedures were in place to share information between casinos that would assist casinos in their own efforts to protect their assets. I would also ensure that procedures were in place to monitor unseasoned staff helping the casinos combat the problem.
9. I think the state has the right to negotiate with Native American tribes. I believe the state has the right to negotiate with whomever they deem necessary as long as the case can be made for protecting the interest of the people of the State of Michigan. These agreements usually provide revenue which offsets the services provided by state and local governments that are impacted as a result of the build out of these casinos.
10. I am in favor of licensing requirements to ensure the integrity of the games in gaming. Without ensuring integrity and public confidence in fair gaming you have nothing. If people feel unsafe, victimized or taken advantage of they will go elsewhere to game, or they will not game at all in Michigan casinos. I am also in favor of inclusiveness. I would want to be able to exercise discretion keeping with the spirit of the law to insure that the maximum number of vendors, suppliers and employees benefit. This would always be done with keeping and maintaining the integrity of gaming in the three Detroit casinos, and with the public interests of the people of the State of Michigan at the forefront.
11. The law allows for casinos to "not be required to release" that information. As I stated before, I am charged with enforcing the law and the Gaming Control Act. My impression of other casinos advertising these high payoffs is that it usually involves a very limited number of

machines, and it utilizes these percentages as a marketing tool to draw in customers. I would have to look into this further. Please keep in mind, that these percentages reflect the margin of income that the casinos make which directly relates to the state of Michigan's revenue.

12. I would need time to look at this and compare it with other casinos. Until I am educated and can formulate an opinion, I could not answer this question at this point.
13. I would notify enforcement authorities in that venue where I believe the offense occurred. I would utilize the resources available to me by way of the Michigan State Police and/or Detroit Police to investigate and possibly prosecute.
14. I have a history of collaboration and cooperation with my counterparts in law enforcement, both locally and federally. I would reach out periodically to those counterparts in horse racing and lottery as part of my duties as Executive Director. This would also allow access to what we (Gaming) do as an organization to benefit their missions. I have prided myself in collaboration and information sharing.
15. Horse racing, sports betting, charitable gaming, casual betting, and tournament gaming are forms of gaming that come to mind immediately. Debate continues regarding video lottery devices and/or electronic gaming devices.
16. My ability to garner this information is hampered by not having access as I am not a member of the board or that organization until confirmation. I will be glad to report back to this committee once I have access to the information directly if I am successfully confirmed.
17. I agree with that provision of the act, prohibiting campaign contributions as stated. I would be glad to provide a report after successful confirmation to the Senate Committee.
18. There is a social and personal cost to being unable to control oneself. Gaming is intended to be entertainment and in moderation it is harmless. When done in excess it can be damaging to a persons economic wellbeing. As a result, people's compulsive behavior leads to human and financial hardship. These hardships cause a myriad of other social problems. Casinos in and of themselves don't ruin people and cause social harm. People's behavior ruins people and causes harm. There are thirty six different scratch off games in the Michigan

Lottery that can be found in most convenience stores and gas stations. The internet is in 80% of peoples homes and is host to on-line casinos and card games. Illegal sports betting occurs on a regular basis in many communities. All gaming done in excess can have a detrimental effect. Casinos are only part of the gaming that is or would be accessible to a person with a propensity to abuse it or become addicted to it.

As a society and a community we have to recognize that gaming is going to exist with or without casinos. With regulated casinos there is a funding mechanism to provide dollars to community mental health programs designed to help problem gamers. With other forms of illegal gaming there is not. With regulated casinos there is a disassociated persons list to bar people from casinos who have admitted a problem and are trying to deal with it. With other forms of illegal gambling there is not. There can be a social cost at some level. As I explained, there is a recognized responsibility of the people as outlined in the act to deal with issues of problem gaming. A certain percentage of people will always have problems with compulsive behavior and self restraint whether it is gambling, drugs, alcohol or dishonesty.